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OFFICE OF MARKETS AND RURAL ORGANIZATION.

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LUMBER ACCOUNTING AND OPENING THE BOOKS IN PRIMARY GRAIN ELEVATORS.

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INTRODUCTION.

Primary grain elevators, especially those owned by cooperative associations, are becoming important distributors of various supplies used in farm communities. Under the system of accounts described and explained in Department Bulletin 236, "A System of Accounts for Farmers' Cooperative Elevators," and in Department Bulletin 362, "A System of Accounts for Primary Grain Elevators," provision has been made for the adequate handling of the supply accounts required by most elevators. The convenient handling of lumber accounts, however, requires auxiliary forms, since the detail of this branch of the business is more extensive than in other forms of elevator merchandising. This publication is intended as an explanation of these forms and their relation to the grain accounting systems of the Office of Markets and Rural Organization. Because of the confusion in the minds of some elevator manager-bookkeepers with regard to the meaning of the term "opening the books," a short discussion of this subject is included.

DESCRIPTION AND USE OF OFFICE OF MARKETS AND RURAL ORGANIZATION LUMBER RECORDS.

The introduction of supply accounts into the business of primary elevators has necessitated but slight changes in their accounting systems. Formerly the lumber retailing business usually was carried on as a separate activity and the systems of accounting necessary were drawn for this business alone. By introducing retail lumber merchandising into the business of the elevator, a condition has been created whereby two distinctly different businesses are conducted under one head.

SALES TICKET.

Where small quantities of lumber are being sold in wagon loads and thousand feet lots, the ordinary sales ticket used for other forms of merchandise is sufficient and the sales to individual purchasers can quite readily be accounted for in the cash, journal, purchase and

sales record of the grain system by using a column headed "Lumber."

CONTRACT RECORDS.

The difficulty of using the cash, journal, purchase and sales record for all lumber transactions in detail arises only in the case of contracts. It is usually necessary to record the lumber according to kind, number of pieces and feet price per thousand, and value, and as no columns can conveniently be provided in the cash, journal, purchase and sales record for these conditions, a separate form will be found more desirable. Further than this, it is more convenient both to the seller and purchaser, in the case of contracts, to have a consecutive and continuous record of the deliveries on contract, and this can not be obtained unless a special form is used upon which no other transactions are recorded.

The following auxiliary forms for handling accounts relative to lumber have been devised by the Office of Markets and Rural Organization:

Form No. 16.—Memorandum of deliveries on lumber contracts.

Form No. 17.—Lumber estimate.

Form No. 17A.—Duplicate lumber estimate.

Form No. 18.—Lumber contract delivery record.

Form No. 18A.—Duplicate lumber contract delivery record.

Forms Nos. 17, 17A, 18, and 18A are bound in loose-leaf binders, and the duplicate entries on Forms 17 and 18 are recorded on Forms 17A and 18A by using carbon paper. In the case of Form No. 17, the carbon paper should reach only far enough to take in the column "Number of feet," since the duplicate goes to the customer and otherwise would record the cost price of the estimate.

These forms are used in the following manner: When a prospective contract customer calls upon the elevator company for an estimate of the cost of furnishing lumber for a specific building, the manager fills in on Form No. 17 (page 10) the name of the customer, the character of the building, the number of the estimate, and the date of its making. He then records the number of pieces of each kind, giving the description in full, and setting down opposite this the number of feet and the cost price per thousand. By this method he is able to arrive at the cost value for each kind of lumber and for the entire contract.

The duplicate of Form No. 17, that is, No. 17A (page 11), will then carry a carbon copy of the number of pieces, description in full, and number of feet. After having ascertained the cost value, the dealer's profit should be added and the total amount set down opposite "Amount" at the head of the page, both on No. 17 and No. 17A. The duplicate copy showing the price for which the lumber can be furnished, together with full particulars as to the amount and kind of lumber to be furnished, is then given to the prospective customer.

After the estimate has been accepted and the contract made to deliver the lumber, this contract is recorded on the lumber contract delivery record, Form No. 18 (p. 12), by entering the name of the purchaser, the character of the building, and the amount of the contract. As deliveries are made, they are first entered upon Form No. 16, "Memorandum of delivery" (p. 9), giving the date of delivery, number of pieces, description in full, and number of feet delivered. Form No. 16, being bound in pads of 50 originals and duplicates, serves as a memorandum of individual deliveries. The duplicate should be given to the person purchasing the lumber, the original being kept by the elevator. The information contained on the "Memorandum of delivery" is then entered upon the lumber contract delivery record, giving the date delivered, memorandum number, number of pieces, description in full, and total number of feet. If the deliveries are in excess of the number of feet recorded in the estimate, the number of extra feet should also be recorded, together with the price per thousand on extras and the amount for extras so delivered.

Form No. 18A is an exact duplicate of Form No. 18 and serves as a bill for extras and as an itemized statement of all deliveries, showing proof of fulfillment of contract for the amount of the estimate. This duplicate should be delivered to the customer at the time of completion of deliveries covering the estimate.

After recording the amount of the contract and the amount for extras at the head of Form No. 18, entry should be made in the cash, journal, purchase and sales record, debiting the customer and crediting lumber with the amount so recorded. The number to be set down in the column "Sale No." will be the number recorded at the head of the lumber contract delivery record under "No. C," meaning number of the contract.

By the use of these forms a complete record of all estimates made will be on file, and on the opposite page will be recorded in one place the sales covering the estimate, while only one entry will be necessary in the cash, journal, purchase and sales record for the whole transaction.

OPENING THE BOOKS.

In all elevators where records have been kept for a full year the act of opening the books for the following season must be preceded by the closing of the books for the past year. Closing the books by balancing the accounts would result in ascertaining what the assets and liabilities of the company would be if there were no losses or gains. In that case debits or credits would be made to each account so closed, amounting to the exact difference between the debit and credit sides of the account. By taking an inventory then, the difference between the amount necessary to close the account and the true

physical amount would be revealed. This difference constitutes the net gain or loss on the account. In practice, however, a different method is usually followed. Instead of going through the actual work of closing each account by its balance, the two sides of the account are added and it is credited with the value of the physical inventory. In closing the old account in this manner the value of the inventory is transferred to it, and since that value is still an asset on hand the new account must be debited with a like amount as being on hand at the beginning of business for the new year. The resulting difference between the two sides, being the net loss or gain, is then carried to either the debit or credit of the profit and loss account as the case may require. The wheat account may be taken as an example. It is assumed that the old account showed the following debits and credits:

WHEAT.	
Dr.	Cr.
\$300	\$1,200
980	230
460	.....
<hr/> 1,740	<hr/> 1,430

If the inventory showed that there was still on hand wheat to the value of \$710, the account, as closed by inventory, would appear as follows:

WHEAT.	
Dr.	Cr.
\$300	\$1,200
980	230
460	By inv., 710
<hr/> 1,740	<hr/> 2,140

The difference between the two sides of the account, being \$400 in excess on the credit, represents the net gain on wheat. In order to balance the account and transfer the gain to profit and loss, the following journal entry should be made:

Dr., wheat.....	\$400
Cr., profit and loss.....	400

The two accounts affected would then appear as follows:

Wheat.	
Dr.	Cr.
\$1,740	\$2,140
To P. & L., 400	.....
<hr/> 2,140	<hr/> 2,140

Profit and loss.	
Dr.	Cr.
	By wheat, \$400

All balances carried to profit and loss should be handled through journal entries in order that it may be possible to analyze the profit and loss account at any future time. An inventory is not necessarily confined to material or merchandise accounts, but in a bookkeeping sense applies to an appraisal of the assets and liabilities at a given time. The inventory or appraisal of some accounts may show them as credits, and in such cases the opening balances for the new year will be credits.

In closing the accounts for the old year all losses and gains, together with expenditures, such as expenses, have been carried to profit and loss, and subsequently the net profit or loss has been transferred to surplus. In opening the books for the new year all accounts shown will be either assets or liabilities, together with surplus and capital; the last two, together with any reserves set up, represent the net capital of the company.

In elevator accounts under the arrangement of the ledger as designated in Department Bulletins 236 and 362, a probable list of the accounts would be set up as follows:

ACCOUNTS IN THE GENERAL LEDGER.

<i>Cash.</i>		
DR.		CR.
<hr/>		
\$932.50.		
<i>Accounts receivable control account.</i>		
DR.		CR.
<hr/>		
\$1,171.52.		
<i>Notes receivable.</i>		
DR.		CR.
<hr/>		
\$125.00.		
<i>Plant and real estate.</i>		
DR.		CR.
<hr/>		
\$7,500.00.		
<i>Wheat.</i>		
DR.		CR.
<hr/>		
\$325.00.		
<i>Corn.</i>		
DR.		CR.
<hr/>		
\$70.00.		

LUMBER ACCOUNTING.

	<i>Oats.</i>	
DR.		CR.
<hr/>		
\$135.50.		
	<i>Barley.</i>	
DR.		CR.
<hr/>		
\$76.85.		
	<i>Rye.</i>	
DR.		CR.
<hr/>		
\$5.40.		
	<i>Flax.</i>	
DR.		CR.
<hr/>		
\$110.20.		
	<i>Coal.</i>	
DR.		CR.
<hr/>		
\$360.65.		
	<i>Lumber.</i>	
DR.		CR.
<hr/>		
\$2,795.40.		
	<i>Smith-Jones Grain Co.</i>	
DR.		CR.
<hr/>		
\$13.80.		
	<i>Rolled Oats Co.</i>	
DR.		CR.
<hr/>		
\$640.00.		
	<i>Notes payable.</i>	
DR.		CR.
<hr/>		
		\$4,500.00.
	<i>Accounts payable.</i>	
DR.		CR.
<hr/>		
		\$230.30.
	<i>Expenses.</i>	
DR.		CR.
<hr/>		

Reserve for depreciation.

DR.

CR.

 \$350.00.
Reserve for bad debts.

DR.

CR.

 \$100.00.
Capital paid in.

DR.

CR.

 \$7,000.00.
Surplus.

DR.

CR.

 \$2,081.52.

The general ledger referred to in Department Bulletins 236 and 362 is set up by reserving a suitable number of sheets in the front of the ledger to accommodate all of the general accounts of the business.

Expense does not appear in the above list of accounts as it is assumed that it has been written off to profit and loss at the end of the previous year, and no expense has been incurred in the new year up to the time of making this balance.

ACCOUNTS RECEIVABLE LEDGER.

Fred Jones.

DR.

CR.

 \$26.50
Arthur Brown.

DR.

CR.

 \$1,110.85
H. Goodhue.

DR.

CR.

 \$14.62
N. Averill.

DR.

CR.

 \$19.55

The accounts receivable ledger referred to in Department Bulletins 236 and 362 consists of the remaining sheets of the ledger which are indexed alphabetically. In this division of the ledger personal or accounts receivable accounts only are carried. In other words, only trading accounts of a purely local nature are recorded under accounts receivable.

A trial balance of these accounts would then show the following results:

TRIAL BALANCE GENERAL LEDGER.

Name.	Debit.	Credit.
Cash.....	\$932. 50	.....
Accounts receivable control account.....	1, 171. 52	.....
Notes receivable.....	125. 00	.....
Plant and real estate.....	7, 500. 00	.....
Wheat.....	325. 00	.....
Corn.....	70. 00	.....
Oats.....	135. 50	.....
Barley.....	76. 85	.....
Rye.....	5. 40	.....
Flax.....	110. 20	.....
Coal.....	360. 65	.....
Lumber.....	2, 795. 40	.....
Smith-Jones Grain Co.....	13. 80	.....
Rolled Oats Co.....	640. 00	.....
Notes payable.....	.....	\$4, 500. 00
Accounts payable.....	.....	230. 30
Expense.....	.....	.....
Reserve for depreciation.....	.....	350. 00
Reserve for bad debts.....	.....	100. 00
Capital paid in.....	.....	7, 000. 00
Surplus.....	.....	2, 081. 52
	14, 261. 82	14, 261. 82

TRIAL BALANCE ACCOUNTS RECEIVABLE LEDGER.

Name.	Debit.	Credit.
Fred Jones.....	\$26. 50	.....
Arthur Brown.....	1, 110. 85	.....
H. Goodhue.....	14. 62	.....
N. Averill.....	19. 55	.....
	1, 171. 52	.....

As will be seen from the trial statement of the assets, liabilities, and net capital, the two sides are in agreement and the sum of the personal accounts agrees with the opening entry in the accounts receivable control account. The books are therefore open to receive postings to the various accounts from the transactions of the current year.

